BEFORE THE ENERGY RESOURCES CONSERVATION AND

DEVELOPMENT COMMISSION

OF THE STATE OF CALIFORNIA

APPLICATION FOR CERTIFICATION OF THE ALLIANCE CENTURY ENERGY FACILITY BY ALLIANCE COLTON LLC	Docket No. 01-EP-4 (March 21, 2001)
APPLICATION FOR CERTIFICATION OF THE ALLIANCE DREWS ENERGY FACILITY BY ALLIANCE COLTON LLC	Docket No. 01-EP-5 (March 21, 2001)

Wednesday, April 11, 2001
At Colton City Hall Council Chambers
650 North La Cadena Avenue, Colton, California
6:00 O'Clock P.M.

Reported by:

Janet B. White, Certified Realtime Reporter
CSR No. 1879

Pages 1-82, Inclusive

COMMITTEE MEMBERS PRESENT:

MICHAL C. MOORE: Commissioner, Presiding Member
KARL S. ENGEMAN, Hearing Officer

STAFF PRESENT:

KEVIN KENNEDY, Site Manager
CHRISTOPHER MEYER, Compliance Project Manager
DOUG PERKINS, Public Adviser's Office

APPLICANT:

BRIAN O'NEILL, Vice President, Alliance Power,Inc.
BRIAN S. MOREAU, Vice President, Alliance Colton, LLC

INTERVENORS:

Mohsen Nazemi, South Coast Air Quality Management District

I N D E X Page

PRESIDING MEMBER MOORE: Good evening. My name is Michal Moore. I'm a Commissioner of the California Energy Commission, and I am the Presiding Member of the case that will be open under Dockets 01-EP-4 and 01-EP-5.

These are formally the peaker projects submitted by Alliance for the Century Project and the Alliance Drews Energy Facility Project.

I'm joined on the dais today by Karl Engeman, my Hearing Officer. He and I will comprise the Commission team that is going to write the opinion on this matter.

And, as well, we have Kevin Kennedy, who is here representing staff, and I'll ask Kevin to introduce himself tonight, and I'll be asking the Applicant to introduce their team.

I should indicate that somewhere in this room there is a sign-up sheet, and for anyone who is here, including the general public, it's in the back. We'd like to ask everyone to please sign up for it.

That gives me a good excuse also to ask that if you have a cell phone or a beeper in here, if you would turn it to silent, I would appreciate it.

And for all those who are testifying before

us, please step up, and on the record, we absolutely require that you join the NAP -- No Acronyms Please -- Coalition, and make sure that, when you do use the acronyms, that you elaborate on what they mean.

It just takes a little bit longer, and frankly, it makes it so much easier for people to try and keep up, especially those who aren't used to the jargon here before us.

So, with that, I'll go back to some of the game rules in a second.

But let me first go to Mr. Kennedy and ask him to introduce any of the staff that are here and to briefly describe the process that we used to get here today, and then I'm going to turn to the Applicant and ask for their presentation.

Mr. Kennedy.

MR. KENNEDY: Thank you, Commissioner Moore.

As he indicated, my name is Kevin Kennedy, and I'm the Project Manager for the siting process, permitting process, for these two projects that we're considering as part of this process tonight.

There is actually none of the siting staff, per se, who are working on this case here tonight,

but we do have Christopher Meyer, who is going to be my counterpart in the compliance case, the Compliance Project Manager, who is here tonight. If you want to stand up and say hello to everyone.

MR. MEYER: As he said, I'm the Compliance Project Manager, after Kevin gets done with all the hard part.

MR. KENNEDY: And also, Roger Johnson, who's the head of the siting project for the Energy Commission, is here tonight.

I want to just give a brief run-through of some of what we are going through in sort of a broad context and then say a little bit about -- Actually, it may make sense to brief everybody in the broad context first and then wait for the Applicant to say a bit about the project, and then I can say a bit about where we are in staff analysis of the project.

As I am sure you are all aware, we are in a very unusual situation in terms of the electricity system in California these days.

The Governor, because of the emergency situation in California, has issued a series of Executive Orders dealing with all phases of the electricity system in California.

Six of those Orders were issued in February,

and another one was issued on March 7.

Two of those Orders directly deal with what we are involved with here tonight.

Emergency Order D26 was put forward and included provisions for the California Energy Commission to make use of its emergency powers to permit power plants that could be on line this summer in order to help alleviate the electricity crisis that this state is facing.

The initial Executive Order had a July 31st deadline for projects to be on line.

The second Executive Order in March extended that deadline so that it applies to any projects that could be on line by the end of September.

The Energy Commission has instituted the process for dealing with that. We are looking to permit -- go through the permitting process on peaker power plants that could be on line this summer within 21 days of accepting those Project Applications as being complete.

And actually, I have some overhead -- Roger, if you would or could -- if you would show a few of my overheads, once you manage to get that on -- which gives some basic information about the Emergency Permitting Process.

If you can go to the second one.

PRESIDING MEMBER MOORE: Roger, you are probably going to have to borrow that binder.

MR. KENNEDY: I think you can tilt the mirror up -- yeah.

In terms of the Emergency Permitting Process, there are a number of criteria that are needed to be met in order to qualify for this.

As I indicated, the Emergency Orders clearly indicate the projects need to be on line by the end of September.

In addition, the Commission's normal jurisdiction is for power plants for 50 megawatts or larger in size.

The Executive Orders allow projects that were smaller than that, that had signed Summer Reliability Contracts with the California ISO -- the Independent System Operator -- which is the organization that runs and coordinates the grid, the transmission grid.

Those projects, even if they are under 50 megawatts, were given the right to come to the Commission for this emergency process.

The two projects we are looking at tonight are both 40 megawatts each. It is under that

provision that the Energy Commission is able to look at those, even though they are not 50 megawatts.

The other thing that we are looking for are projects that don't have any fatal flaws.

These are -- the emergency process is such that the California Environmental Quality Act provisions do not apply, because these are considered emergency projects under the California Environmental Quality Act.

We are doing an analysis of the projects; we are looking at environmental impacts. The air permitting process is moving forward. We are trying to make sure that there are no major problems with these projects that would mean that these would be inappropriate to move forward.

So we are doing a Fatal Flaw Analysis, and I will talk a little bit more after we had heard a bit on the projects. And the projects do require both a Permit from the California Energy Commission and from the local air district.

The Emergency Permit, the Energy Commission License, is basically for the life of the project as long as the project has a contract with the California Department of Water Resources or with the California Independent System Operator.

We are -- initial decisions that were made on the first two of these projects, there were provisions included for the Commission to review these projects at the end of the contract life.

There is a set -- a series of conditions that projects are expected to meet; that they have the Best Available Control Technology in place and permanent emission offsets; that they have complied with all the conditions for site control, and that, if they are permanent facilities, if they are not able to meet those conditions, we would be looking at a Permit that would be good for only three years initially, and then there would be a need to recertify.

The next overhead points out a number of the key aspects of the project analysis that we are doing.

As I indicated before, it is a Fatal Flaw Analysis, but we are going to make sure there are no public health or safety concerns; that any environmental impacts from the project can be readily mitigated; that there would not be a significant adverse impact to the energy system; and a number of other issues we're looking at. So we are taking a very serious look in a very compressed time frame at

these projects.

The schedule under which we are operating, as I said, the Energy Commission is endeavoring to make the Permit decisions within 21 days.

For these projects, we accepted the two Applications as complete, that they had all the information we were looking for, last Friday, April 6th.

We are holding this, the Informational Hearing -- and we had the Site Visit earlier this afternoon here in the community -- and let me sort of double-check -- today is the 11th -- so five days later, and we're looking at this type of hearing in the local community five to ten days after the Application is completed.

We are looking to receive comments from agencies and from anyone in the public who is interested in sending us comments by next Wednesday so that we can incorporate those in the Staff Assessment, which we are targeting to have out next Friday, April 20th.

I believe that the schedule -- I shouldn't speak for the Committee on this, but my understanding is the schedule for the proposed decision is for that to be out the following Monday, the 23rd.

And there is a Special Business Meeting that has been scheduled for final decision on this project for Wednesday, April 25th, to make that final decision.

One of the things that's important to realize in this is this is not a situation where the Commission would simply say, "Okay, we've decided that this is an emergency. You can go and do whatever you want once we give the okay."

There is -- as in our normal process, there are a number of conditions that will be attached to the Decision, and the Applicant Project Owner will be expected to follow those conditions.

That will include measures that will be needed for construction, for operation, and for compliance with what we like to call LORS -- that is Laws, Ordinances, Regulations and Standards -- that apply on these projects.

In addition, there is a Permit that needs to be given by the local air district, the South Coast Air Quality Management District. That Permit will also include a number of conditions.

There are representatives here from South Coast who will be able to talk a little bit more about their process.

We have been working very closely with that agency and with a number of other agencies to make sure that it is not just something that we're going to take a quick look at.

We are coordinating with all the other agencies that have an interest in these projects.

Once -- There are four projects that are approved, and then there is the compliance monitoring.

I introduced Christopher Meyer earlier, who is going to be Compliance Project Manager, assuming that these projects are approved, and the Compliance Project Manager that was approved last week of one of the two. And the compliance program is set up in order to assure the project does remain in compliance with all the conditions that the Commission puts on the conditions, monitors the construction and operation of the project, and, again, assures that the Laws, Ordinances, Regulations, and Standards are met.

And if you want more information about the process in general, or for this particular project, I would be the person to contact.

And there is my phone number -- 916-651-8836. My e-mail address is kkennedy@energy.

state.ca.us. And there is a website address given there.

If you go to that page, there are links for these two projects and links for more general information about the peaking process, peaker permit review process, overall.

PRESIDING MEMBER MOORE: Thank you, Mr. Kennedy. And let me just interrupt the schedule that I said I was going to follow and ask if a member of the Public Adviser's Office would come up, just so that people can see that we do have a Public Adviser here, and maybe say a couple, brief words about the role of the Public Adviser in this process.

I will remind everyone these proceedings are being televised locally, and so part of our advantage in being able to reach out to the community is having access to these kind of facilities. So, I'll remind people who are watching us live, that the Energy Commission endeavors mightily to make sure that the public is fully involved in this process and has access to information, as well as the decision-makers, such as me, and that we take into account very much what they have to think or say about these projects. So the Office of the Public Adviser helps us do just that.

MR. PERKINS: Thank you, Commissioner Moore, and members of the public. My name is Doug Perkins. I'm here representing the Public Adviser's Office.

We are part of the team that's been assembled to assist with the emergency siting processes that have begun now that the Governor has signed the Executive Order.

Our role, really, is to assist the public in understanding the process, to answer questions, and to refer you to places when we can't answer the questions.

And we provided some materials out front that let you know how to reach us. I would encourage you to call our 800 number, which is 1-800-273-4459, or to e-mail us directly at pao@energy.state.ca.us.

We -- As you heard from the Commissioner, we certainly want to encourage all participation. We are here to let you know that you have the absolute right to participate in the process, and we expect and anticipate that we will receive all kinds of comments and suggestions.

And you heard from Kevin that the timing of these is critical. We need to get those comments either on the record tonight or into the Commission staff before next Wednesday.

Please pay careful attention to what you learn tonight, and if you still have questions or comments, please feel free to contact us, and we'll see that they are forwarded.

Probably the quickest way to do that is using the Internet and the website, and there are mechanisms on the website for you to do that, and if you still have questions about that, see us here. We'll be here through the end of the meeting.

One more topic tonight: If any of you are here to speak -- and I want to make sure that you get your comments on the record -- you'll need to fill out one of these blue cards, which is the process that we've set up for these public hearings. And I have copies on the table, and please see me sometime during the hearing if you care to speak.

Thank you.

PRESIDING MEMBER MOORE: Thank you very much. And I guess I was remiss. I should have outlined a little bit more formally some of the procedures once these hearings start.

Even though they are very abbreviated, we have something called the Ex Parte Rule, which prohibits me or my advisors, including my Hearing Officer, from having direct contact with anyone

that's on the Applicant team, so, if there is going to be contact from the outside world in, it has to be either in a public forum, such as this, where the issuance of any information that we get is open to everyone else or through the Project Manager, Mr. Kennedy, or through the Public Adviser.

So, in a sense, there is a wall built around the decision-making team, and that's appropriate, because it means that nothing that we do is concocted or deliberated on outside the public forum.

Now, the final decision that's made -- this is for the benefit of those who are here as well as those who are watching on the live TV feed -- once we hear the evidence that's presented to us, Mr. Engeman and I will confer and will create a document known as the, "Presiding Member's Proposed Decision," and that will be based on what is presented to us by the Applicant, or any testimony here, and in the Staff Analysis provided by Mr. Kennedy's staff to us.

That decision will be taken on the advice of, or we will use that data, as it comes before us, but will be independent of that.

I'll submit my Proposed Decision to my colleagues at the Commission, and they will either agree with it or not in the form of a vote.

But, in no way can we say today that the decision on this project or any other like it is foregone.

It is a very open process, and it is, I believe, going to be very fairly attended to, so, you can say that we, both of us here who will be writing the decision, are approaching this with very open minds and will be using only the evidence that we have in front of us in order to make our decisions.

With that, let me turn to the Applicant and ask them for a presentation of the project, and I'm going to turn back to Mr. Kennedy, who will outline some of the response that we've had so far in the Staff Analysis.

So the Applicant, if you would introduce your team, and we will yield the floor and let you make a presentation.

MR. MOREAU: Thank you, Commissioner Moore.

My name is Brian Moreau, with Alliance Power. I'm the Project Manager on these two projects. I would like to introduce my team.

Our Vice President, Alliance Power, is Brian O'Neill. He is in our Bakersfield Office, very close to the project today.

Mr. Matt Olson is our Permitting Specialist.

He has been working closely with the Air Board and Mr. Kennedy's staff in preparing our CEC Application.

Mr. Michael Lerch, Statistical Research, is our cultural and archaeological consultant.

Mr. Karl Lany. He has done our calculations for our air permits at the Air Board.

And Malcolm Weiss -- thank you.

Don Mundy. Don is the Vice President of the construction company. He will be leading the team that will design and build these two facilities.

I would also like to introduce the City of Colton staff. Nitin Modi, Project Manager; Bob Ferguson, working closely with the City as a consultant; Tom Clark, the Utility Director -- thank you, Tom. And Tim, who was here earlier, on our site tour.

Matt, if you can bring up the first exhibit.

I would like to thank everyone for attending tonight's hearing and for joining us on the site tour. I know we answered a lot of questions there. We'll review what we saw for the benefit of the folks watching on television.

I know we got electricity.

Just as some background, as Matt is getting these exhibits ready, both facilities will consist of four individual 10-megawatt gas turbins. They will probably come on line one unit at a time, perhaps two, and they will be rolled out as soon as we get one unit up and operational, or two.

We can go commercial with those while the others are being completed, so we expect this to be an incremental process over approximately 30 days from the time our first one goes on to our last one comes on.

PRESIDING MEMBER MOORE: You might want to mention the scale of those.

MR. MOREAU: Each turbine generator, they're gas, natural gas-burning combustion turbines. They are built overseas. The material themselves are in an overall package that is approximately 32 feet long and 12 feet high by 8 feet wide, so it's not even really an over-sized load as it goes down the interstate.

The generator is a separate piece. It also arrives on a flatbed truck and is off-loaded directly onto the foundation and mated up with the turbine.

The third major component to the system is the exhaust silencer, exhaust treatment stack, and it

meets the three -- the two other packages on site, to result in one electric generating unit.

How are we doing?

We have a technical problem.

So each of these four units will then mate up with a fifth package, also built off-site, which is an electrical switch-gear unit.

It takes the electrical cabling from the generators and interfaces it with the existing distribution substation.

These projects have been referred to as peakers. Another term that you may have heard in the news is distributed generation.

Distributed generation is a different generation approach than is commonly known. We've talked about it for 10 to 20 years -- about this concept.

The existing model is to install large generating units in remote facilities and interconnect them with the load centers over large transmission lines, high-voltage transmission lines.

As the transmission grid becomes full, you can build many, many remote large sites, but you can't get the energy where it's needed, due to transmission constraints.

And we faced some of those conditions in California within the last year.

Distributed generation places the generation at the actual point of utilization so that you are -- you are isolated from these transmission problems. So even if the transmission is loaded at 150 percent, it does not impact the use of this generation because it can be used right here in the local community and actually serves to reduce transmission loading, freeing up those transmission assets for Colton's neighbors.

And this is what the real advantage of these particular units are. They can go in, in existing electric utilities substations.

That's what we're doing here. We are not developing new green-field sites. We are utilizing existing electric infrastructure owned by the City of Colton and placing our generation within those existing property boundaries.

We are not acquiring any new property for these facilities. We are leasing existing unused area that is owned by the City and is used for their electric distribution.

I'm going to get --

PRESIDING MEMBER MOORE: In radio, this is

"filler time."

MR. MOREAU: Dead air is the worst thing.

Distributed generation has been developed in the State of California just this year and has been working mightily in developing interconnection standards for distributed generation to help enable this approach.

We have been working diligently with catalytic combustion systems to develop emission control technology that will minimize the environmental impact of these units.

We work to apply high performance silencer equipment to make sure that the units provide as little audible impact to the community as possible.

They are small and low profile. Much of the installation will not protrude above the existing walls of the station. The thing that would be most visible will be the silencer stacks.

PRESIDING MEMBER MOORE: In order to keep a clear record, let's make sure that -- we are considering both of these projects simultaneously, but let's do them in sequence so it will certainly make it easier for our scribe to be able to keep track of what she's hearing, and also for the audience to keep track of what we're about, so, let's

make sure that we go through these sequentially.

We don't need to go in such detail that we clearly differentiate them right down to the last nut and bolt where there are different sites, but let's go through one project at a time --

MR. MORNEAU: Okay.

PRESIDING MEMBER MOORE: -- and make sure we get all that on record.

MR. MORNEAU: The first site that is now up on screen --

HEARING OFFICER ENGEMAN: May I briefly interrupt you? I want to make sure there is appended to the record -- and your staff has agreed to e-mail me -- copies of the Power Point slides, so I won't interrupt you again, but as each slide comes up, they will just be numbered sequentially for the record.

MR. MORNEAU: Okay, okay. Thank you. This first exhibit is a plan view of the Drews Substation facility augmented with our generation units.

The top of the drawing is the west side of the station, and there are four individual gas turbine units installed along that north perimeter of the yard, all within the existing wall.

Along the left-hand -- highlight that, Matt -- There are three major components: The turbine

package itself; the generator package, off to the -- according to my eye, the right or the left -- left -- excuse me -- of each turbine package is a generator, and on the right-hand side, the exhaust stack.

The -- the little square boxes next to the right there, that his hand is on, is the oil cooler. That is a supplemental piece of equipment that keeps the lubricating oil cool for the turbine.

All of these packages are installed on foundations that incorporate 100 percent oil containment in the event of a spill.

We have electrical equipment to interconnect these devices to the grid.

Along the right-hand side of the -- of the station, that is the north direction -- is our motor control center. That is an 8-foot-by-40-foot long cargo container. That will contain our protective relaying synchronizing equipment, motor control centers, substation batteries, telemetry, computer control equipment, et cetera.

Down in the lower right-hand corner is the gas compression equipment. We will need to boost the gas pressure from approximately 180 PSIG to 330, 350, in that range.

To the left of that structure is a potential

ammonia storage tank and filling facility.

Further to the left, across the gate, is the electrical switch gear.

Each one of these generators will have a circuit breaker that protects the generator, in the event of a fault, and also provides a device to synchronize the generator to the electrical supply grid.

That switch gear unit will interface to the generators -- to the existing distribution switch gear just to the left -- the switch gear down straight across -- there you go -- that will interface with an existing spare feeder breaker position to the other two generators, which will connect to the other switch gear just over to the left -- there you go. And that will also connect to an existing spare breaker at the substation.

The result will be that two of the generators will go through the transformer on the left, and transformed up to the sub-transmission voltage of 66 kV.

And the other two generators will go up to the other transformer, so each one of those transformers has the capacity of approximately 30 MVA.

We will be putting 20 megawatt volt amps through the bank, in the event that there was no distribution coming off of the switch gear, so, electrically that's how it gets out of the station of already existing equipment installed approximately five years ago.

There are minimal off-site improvements at this project. We will have an existing Southern California Gas transmission main that runs left to right along the bottom of the drawing through an existing transmission easement.

We will tap that main towards the lower left-hand corner of the drawing -- Matt -- and go up into the existing load.

This traverse goes through an existing two-track area that goes through a Delhi Sand Flower Loving Fly Habitat. As we talk about the fly -- this particular site is located within the overall area and habitat identified as that of the Delhi Sand Flower Loving Fly, which is an endangered species, so we're taking extra special precautions for construction activities in this site, particularly anything that would be off-site.

When this substation was built, the land was mitigated fully; offsets were purchased to enable the

city of Colton to develop this parcel.

But we are going to have a minimal amount of take from the gas main up to our access road, and we are working closely with Fish and Wildlife over that small amount of take.

The gas line will continue to the right once it gets up to our access road and go to the right, and that will go up into that lower right-hand corner of the substation and interface with the gas compression equipment.

Are there any questions on the Drews Facility? If not, we will move to the Century site.

There are many, many similarities between these two. They will both consist of 40 megawatts' worth of generation, generation equipment, 10 megawatts -- 10-megawatt blocks.

This station has additional interconnection equipment. At the Drews substation, there was existing spare capacity in the 12 kV switch gear. We can interface directly at the distribution level.

At the Century Substation, it is a fully-loaded built-out substation, so no additional spare capacity transformers are in the switch gear to add to our 40 megawatts.

Due to that, we purchased a step-up

transformer to go from our generation voltage 12 Kv -- from 12 kV up to 66 Kv.

This is the transformer location, which will interface with the existing 66 kV here, and in theory, go out over the 66 kV lines.

In reality, this station is loaded up pretty heavily. Most of the energy generated here will actually be utilized directly at this switch gear level. It will serve these loads and offset electrons that would normally come in the City through the tie with Southern California Edison.

This is a clear example of distributed generation in action, where you put the generation right where the load is.

At this particular site, the existing developed substation is this triangular-shaped piece, which there is a wall around it.

We will be putting one generator within that station, be putting the transformer and circuit breaker, that will interconnect our generation to the electrical grid, and we'll put our electrical control enclosure also within this wall.

We will be developing some land here. It is currently owned by the City as part of this parcel, but it is also used for a transmission get-a-way from

this substation.

We will relocate this line from the middle of the property over to the edge, keeping within California DO95 clearance, and we'll install the generator units in the middle of that parcel.

This site is along the Santa Ana River. It can be typified as alluvial silt-type deposits, soft sand, no known endangered species on the site.

We have done a preliminary cultural and archaeological investigation of the site and have not found any evidence of any difficulties directly on this site.

There may be -- we do need to run a gas line through here approximately a mile and a half. That gas line installation does cross a portion of the City that has indications of cultural or archeological resources, and preliminary indications are that we may need to monitor that gas line installation, watching carefully as we go along, looking out for archaeological and cultural deposits.

We don't expect to find anything. We will, if there is enough of an indication -- that we would want to watch that; otherwise, the equipment there is the same.

The access to this site is along this portion of the parcel. There are some single-story industrial office space, paint body shops, and other type like that, small industrial in here.

Off to the right-hand side of the property is a large vacant parcel, and behind it is the Santa Ana River.

Are there any questions on the Century Project?

UNIDENTIFIED SPEAKER: I was wondering --

PRESIDING MEMBER MOORE: I'm sorry. If you are going to ask questions, you are going to have to come up and speak into the microphone up at the dais here.

MR. MOREAU: I think I can -- if it is all right with the Commissioner -- her question was if we can name the streets so she can get her bearings on the project. I'd be happy to do that.

This particular site has a street address of 661 South Cooley drive. South Cooley Drive runs over here with a 90-degree turn in it, where it goes from north-south to an east-west layout. It is located to the -- to the west of I-215 and to the south of I-10 and the Santa Ana River.

The first site that we were talking about --

not to add confusion -- the Drews facility is located at 559 South Pepper, and it is south of I-10 and just south of -- at a dead-end of Pepper.

PRESIDING MEMBER MOORE: Thank you.

MR. MOREAU: I would like to introduce Brian O'Neill. He would like to talk a little bit about the specific advantages of these two projects.

MR. O'NEILL: Thank you very much. Good evening, Commissioner, audience.

I want to take just a few minutes. I know we've gone into the details of the project and turbines.

Unfortunately, for poor Brian up here, he had to ad-lib a tremendous amount about distributed generation, and that was one of the points that we wanted to make in setting these projects here in Colton, among others.

Again, just to -- to mention, it is 80 megawatts of power, and we're able to do it very, very quickly because of the manner in which they are packaged and because of the sites in which we've sited them on.

It's, of course, sited here on SP 15, which is a very, very congested area during the summer especially.

PRESIDING MEMBER MOORE: That's south of 15?

MR. O'NEILL: South past 15, yes. I'm sorry. I'll go back to the normal nomenclature.

It eliminates also, at least in the short term here, the need for additional transmission lines.

Once again, with distributed generation, especially at Century, we're able to locate right next to where load is being taken.

The power is under contract with the Department of Water Resources, and it is a contract which is a very, very economical rate for 10 years.

Additional benefits are improved reliability of the system here. It eliminates the use of backup diesel.

A point I want to make is these generators going in unmitigated would -- just the NOx load would be about 25 ppm, whereas with diesel generation, you are looking at about 300 ppm NOx per hour.

Naturally, then, we have a better level of air quality here, even during the emergency.

And it does provide emergency backup for the City of Colton here.

We are fully compliant with South Coast's

Air Quality Permit regulations and rules. We've been working very, very closely with them. They do have representatives here.

One additional feature that is unique to this project is the GE-10 is configured for a new technology, which the State of California has literally put millions of dollars into developing, and our hope is that we can also be able to demonstrate this new flameless technology on this project.

They call it Xonon, X-O-N-O-N. It is actually an acronym for no NOx, so it is no NOx spelled backwards, produced by Kettler Corporation, which is a California company.

And we're working very, very hard with South Coast to determine how quickly we can integrate this technology into this project with the time frames that we have.

In addition to that, this is a very, very cost-effective project for the State of California. With the modular design, we are very quickly able to get it in, just some of the other side benefits that sometimes is not known to the public eye.

Thank you very much

PRESIDING MEMBER MOORE: Thank you. Are

there other members of your team who want to add to that?

Let me ask Brian to come back for a second. I've got a couple of questions that I would like to get on the record just with regard to the project description.

Let me ask, just as an overview, do you currently control the ownership or the access to the turbines that you are talking about? Are they in delivery mode? How can we be assured that they will actually arrive within the time frame that is set up in the Executive Order?

MR. MOREAU: The four of the eight turbines -- I have to look at my watch here -- they're on the road.

PRESIDING MEMBER MOORE: On trains?

MR. MOREAU: The four of the eight turbines are on the road from Florence to Massa, which is a port city in Italy -- they should leave the port on the 18th of this month and arrive in Long Beach May 15th, so we will be ready, pending approval, to place those turbines on the site at Drews -- which is where they are targeted -- the four are targeted for Drews as early as May 16th, May 17th.

PRESIDING MEMBER MOORE: And you expect the

balance to be here and in place before September 1?

MR. MOREAU: The Drews facility, all 40 megawatts of it are scheduled to be energized and in commercial operation the 4th of July.

PRESIDING MEMBER MOORE: What do you think the life span of the turbine actually is once it is up and running?

MR. MOREAU: The life span of these turbines, if they are properly and periodically maintained, and with overhauls, is up to 25 years.

PRESIDING MEMBER MOORE: And what do you expect the annual hours of operation to be?

MR. MOREAU: I expect the initial first year's operations at 4,000 hours for the first two to three years.

PRESIDING MEMBER MOORE: Per site?

MR. MOREAU: Per site, tapering off as the crisis subsides.

And when more generation in the state comes on line, long-term, I would expect these to be called upon in the order of 1500 to 2000 hours per year.

PRESIDING MEMBER MOORE: And do you see that there is a long-term need or advantage to converting these to combined-cycle machines?

MR. MOREAU: I do not. These are

simple-cycle peakers, and the fewer hours that you operate them, the less economical a combined-cycle becomes.

PRESIDING MEMBER MOORE: Talk to me about the gas source and demands for gas. How many -- can we measure this in MCF per year, then? Millions of cubic feet of gas? And can you quantify the demands for that and put it in the context of the other demands that are currently being made on the system today?

And also, maybe, let's start backwards and identify the pipe that this would come out of.

Two pipes come into Southern California, so the SoCAL pipe and the PG&E pipe, and you will be drawing from?

MR. MOREAU: SoCAL, yes.

PRESIDING MEMBER MOORE: And they're currently over-subscribed?

MR. MOREAU: I believe -- I would like to put Mario Romero on the spot.

PRESIDING MEMBER MOORE: Mr. Romero, come up to the microphone and identify yourself.

MR. ROMERO: My name is Mario Romero, Southern California Gas Company, and we have done an analysis on the piping system to ensure that we can

adequately supply both sites.

PRESIDING MEMBER MOORE: And are your pipelines currently over-subscribed? Are they fully loaded?

MR. ROMERO: At this time, I couldn't answer that. I'm not -- I just don't know at this time. I know for this project and this pipeline, we're capable of handling it.

PRESIDING MEMBER MOORE: Can we get something from SoCAL entered into the docket that would describe the current load on the pipe in this section and what the forecast demands would be to know either the load that this project would put on, or the capacity of the line, to serve this project in its fully developed state through the life of the project?

MR. ROMERO: Yes, sir.

PRESIDING MEMBER MOORE: I would appreciate that. Thank you very much.

Brian, let me come back to you for a couple other questions. As far as the compression boost that is taking place on site, is that going to be native load, or are you going to take that load -- the power for that off the grid? Will that come out of the -- will that be out of this site?

MR. MOREAU: That -- that will be taken from the City of Colton's retail, and we will be a retail customer of the City of Colton to serve that.

PRESIDING MEMBER MOORE: So you won't -- is there a reason for that, or is it just the timing because this is a periodic load?

MR. MOREAU: We want to be a customer of the City of Colton. We are -- we're leasing their facility. We're contracting our energy with BWER. We wanted to give a good economic piece of the pie with the City of Colton.

PRESIDING MEMBER MOORE: Dare I ask whether there is a long-term contract on there is not?

MR. MOREAU: For the --

PRESIDING MEMBER MOORE: For the load for the retail.

MR. MOREAU: We are currently drafting that contract, right.

PRESIDING MEMBER MOORE: You mentioned exhaust and silencing. What levels of background noise are you hoping to achieve?

MR. MOREAU: We are in compliance with the Noise Ordinance which the City of Colton has, at the Century Facility, which is 65 dBa to the nearest sensitive receptor. And we are within that

requirement.

At the city of Drews, we have applied for and received a variance to go to 75 dBa, due to the remote nature of that facility.

PRESIDING MEMBER MOORE: Can you put 75 decibels in context for us?

MR MOREAU: 75 dBa is similar to conversation. Surprisingly enough, it would be less, much less, than standing next to I-10 during rush-hour traffic.

PRESIDING MEMBER MOORE: And the behavior of the turbines when they are running, in terms of air flow that they demand for compression and combustion, does that present a hazard for bird life or other animal life in some vicinity?

And if not, how do you diminish that? How does the design of the turbin make sure that that isn't a problem?

MR. O'NEILL: Yeah, I would like to talk about that.

All of the gas turbines in this project are equipped with air-filtration systems -- commonly known, again, as a huff and puff system, which is totally enclosed.

All the air is drawn up through a series of

filters, so there is no way even for insects, if you will, to enter in through that filtration system.

The micron rating for that is very, very minute, understanding that this could fall -- the compressor section of the turbine and also some of the other internals, so, as far as wildlife, be it butterflies or something like that, the air flow through the system is very, very gentle.

PRESIDING MEMBER MOORE: Now, there are conditions that are awfully windy periodically during the summer, and you get a strong wind that comes down from the hills here, the Santa Ana winds.

Does the dust that gets generated by that pose any kind of a problem for the operation of these turbines?

MR. MOREAU: No. These huff-and-puff filters are self-cleaning, air compressor line, which detects an increase in intake pressure, indicating that the filter is clogged, and it generates a pulse to clear the debris or dust off the surface of the filters.

There is also telemetering off of those inputs that would indicate to the operator if there was any sort of obstruction to their flow.

PRESIDING MEMBER MOORE: I have a question for you on local tax rates. Is there a reevaluation

of the property site that takes into account the value of the turbines and/or the value of the production that in some way contributes to the -- or establishes the new tax base for the area? How is that done?

MR. MOREAU: We did an initial tax evaluation back in December, I believe, and in the San Bernardino Canyon -- or at least our attorney had indicated that there would not be a tax impact.

PRESIDING MEMBER MOORE: So, the fact that you had installed turbines worth many, many millions of dollars on a site doesn't constitute a new construction activity that is subject to property tax?

MR. MOREAU: Because the property is leased, and the turbins are portable, if you will, because they are containerized -- they could be relocated -- and it was my understanding that that would not be considered to be permanent, from a tax role standpoint.

PRESIDING MEMBER MOORE: What about -- I'm thinking now of, if I took my airplane, and I park it in a county different than where I normally tie it down, I'm charged a usury tax.

Is there a feature like that that attaches

to these? I'm trying to understand the relationship of local government to having these, in terms of their tax role?

MR. MOREAU: I'm afraid I'm not able to address that.

PRESIDING MEMBER MOORE: I'll ask the staff if they are looking into that.

Then, there is also, I understand, some sort of utility tax arrangement that attaches to these, because the State City of Colton is its own municipal utility? Is there also a utility tax?

MR. MOREAU: No, no.

PRESIDING MEMBER MOORE: All right. Gentlemen, I thank you very much.

Let me ask my Hearing Officer if he has any questions he would like to add?

HEARING OFFICER ENGEMAN: No, I have no questions.

PRESIDING MEMBER MOORE: Thank you.

MR. MOREAU: Thank you.

PRESIDING MEMBER MOORE: And now I'm going to turn to Mr. Kennedy, who will talk about the staff analysis.

Following that, we'll take a short break, and at that point, when we reconvene -- and we'll

make the so-called blue cards available to the public who might be here who would like -- and the Public Adviser is holding those up -- and they allow us to sort of understand what you would like to ask a question about, and we'll get those addressed following the break.

Mr. Kennedy, you have the floor.

MR. KENNEDY: Thank you, Commissioner Moore.

What I would like to do at this point is to take a quick run-through of the basic categories of information that staff requested in the Application and use that as a format for giving everyone a sense of where staff is seeing some potential issues and what those issues look like, how we see the potential for resolving any issues we see.

One thing that I would like to say as I start into this is that how staff is looking at this project, which includes an initial look, before we received any Applications, at what staff, based on our experience in looking at power plants around the State -- and the Energy Commission has much experience in permitting, and we tried to come up with a list of the basic types of conditions of certification that we would expect to normally be

attaching to peaker projects like this.

And one of the things that we have published on the web is a memo that includes a lot of background information on the overall emergency permitting process, which includes the list of the what we consider the standard conditions of certification that we are expecting as a matter of course to be attaching to most of these projects.

Given the particular nature of different projects, there may be some of the standard conditions that don't apply to a particular project, and there is also the likelihood for any given project that staff will be attaching some additional conditions in our recommendation.

And echoing one of the points that Commissioner Moore made a few minutes ago, the staff assessment we are looking to complete at the end of next week is staff's recommendation to the Commissioners; in particular, to the Presiding Member, Commissioner Moore, in this case, of what our evaluation of the project is and what conditions we believe should be attached if a project is approved.

It is the Commission, the full Commission itself, the five Commissioners, who are the ones with the final say as to what the final conditions are for

the project approval.

Commissioner Moore's decision will be what they will be considering at that meeting.

So, with that background, what I would like to do is just go through some of the different areas that sort of give you an outline of the information that we expect in the Applications for these emergency peakers and where we see some possible questions.

In the outline and following is a checklist that provides the information to the Applicants, also available on the web, that says, "These are the particular pieces of information we expect," and I'm just going to through the general categories.

The first piece of information is the project description, which includes the basic information on who the project owner is, what the nature of the project is -- a lot of what we've heard in the -- in the Applicant's presentation, such as the proposed operation in terms of expected number of hours per year and the expected life of the project, when the project is expected to go on line, basic information about the status of the transmission and fuel interconnection requirements, water requirements for the project, and all of that information.

There is a lot of detail that we need to be looking at, that we will also be looking at in further detail in the compliance phase, but at this stage, there is nothing that's physically standing out for either of the two projects.

One thing that is useful to keep in mind, as we're looking at this, in both of these -- or one of the things that makes these look to be good sites for peakers for this process is that most of the construction in both cases is within the existence of station sites.

And I'll talk a little bit, at the appropriate points, about a few points where there is some slight interest and concern around the Century site, some additional work that we are interested in potentially seeing and are looking at that.

The second general category is the site description, which just gives basic information on the location of the project, the land use, existing land use, at the project site and on adjacent land use, and information on equipment in areas, things like that.

Again, we're looking at some of the details on that, but nothing in the major -- nothing of major concern has been identified at this stage.

The third area is the construction description, just basic information on the expected construction schedule and work force requirements.

One of the things we're concerned about is sort of how many workers are going to be on site for what length of time, what sort of impacts that might have, particularly around traffic and other sorts of concerns.

But, again, those are not things that, based on the information that we have in the analysis that we've completed to date that we're seeing we have particular concerns about.

The fourth area on the checklist is information on the Power Purchase Contract. The Application specifically asks for the status of the negotiations of the contract.

These two projects had existing contracts with the California Independent System Operator, and it sounds like, from one of the things that Brian Moreau mentioned, the contract with DWR -- with the Department of Water Resources -- may be complete, but I know, at the very least, that was in process at the time the Application was filed.

For air emission which is the fifth area, I'm going to say relatively little about that.

Obviously, the air emissions are a very major concern in any power plant fueled by natural gas.

There are representatives here from the South Coast Air Quality Management District.

The basic information that we're looking for in our Application, to a large extent, is just information that is also being provided to the local air district; in this case, South Coast. We are relying very heavily on the local air district for review of that information.

And there is a separate Air Permit that has to be granted to these projects, and I'll leave it at that, at least for the moment. There may be one or two things I want to add after I hear what South Coast does say, but I'll leave that for South Coast to follow up on after I'm done.

Other areas include noise. We've heard some discussion of noise already. It is something that we are looking at, but not something that looks to call for any particular unusual conditions or problems.

Hazardous materials is another area. That is an area that we are looking at.

One of the questions is whether or not there will be ammonia on site, but we will work on the

assumption at this point that there will, and that relates to what type of air pollution control equipment they use.

If they use one type of equipment, they will need ammonia, and if they use the Xonon system, that they were suggesting, ammonia would not be needed at all.

But we will be getting information on how they will handle ammonia, based upon the assumption that that ammonia will be present on site. We will be looking at that and the form of ammonia which they be using, which is a 92 percent aqueous ammonia, which is a relatively safe form of ammonia, and it is not one that is particularly prone to causing major concerns about Public Health. So, at this point, it is not something that I would expect any particular major concerns.

On biological resources, to some degree with both sites, there is concern with biological resources.

At Drews in particular, which has been discussed, the area surrounding the Drews substation is a habitat for the federal endangered species of the Delhi Sands Flower Loving Fly.

We and the Applicant, as well, have been in

contact with the U.S. Fish and Wildlife Service, which has to be consulted in any sort of projects involving an endangered species habitat of this sort. That is something that we're taking a close look at.

Most of the construction for this project is inside the substation walls, and when the substation was built, mitigation which was taken and handled for that habitat that was lost in the construction of the substation.

The work within the walls is not of particular concerns for this project, but there is a gas pipeline that would need to go outside the walls.

We will work very closely with the Fish and Wildlife Service to make sure that any concerns with the habitat for that pipeline are appropriately addressed. And we are likely to include some conditions beyond the standard conditions for the Drews Project to make sure that that concern is addressed in this project.

For the Century substation project, some of the work is going to be done outside of the substation walls, and one of the things that we do in the course of these reviews is we receive comments from other State and Federal agencies who are in any way interested in these sorts of projects.

We started receiving those -- and those other agencies, like the Energy Commission, are treating these as emergency projects and giving them very high priority and are doing a very good job of giving us very quick response on any comments and concerns.

We have received some comments from the California Department of Fish and Game with respect to the Century site. We just received it at the end of the day yesterday, and our biologist is taking a look at it, indicating that there may be some interest or need for doing biological surveys that are outside of the substation walls.

So that is something that we will be looking at, and we may be including some additional conditions.

There may be a need for the Applicant to actually do some additional surveys relatively quickly, so that -- and I'm not sure whether or not they have actually received a copy of that comment letter from Fish and Game yet, but if not, I will make sure they get it very soon.

So, biological resources, there is some reason for mild concern with both projects, but in both cases, the staff assessment at this stage, it

looks like we will be able to handle any concerns with appropriate conditions and would be proposing such conditions to the Applicant.

Land use, we look at questions of what the local land use restrictions are, what the ownership of adjacent parcels is, and some issues like that; not something that we are seeing any particular concerns about.

And I'm anticipating a question from Commissioner Moore at this point. I don't believe that we have physically looked at the tax impacts and the evaluation question, but that is something that I will discuss with the land use specialist who is working on this to make sure that we do take a look into that and have some information on that in our staff assessment.

For public services, we're mostly concerned in this project with the ability of the local fire departments to be able to respond to emergencies at the site; not something that we're seeing any particular reason to be concerned about.

With traffic and transportation, these peaker projects' construction work force are relatively low, the number of shipments that would be needed in order to get the project going are

relatively low, so the traffic impacts during the construction phase don't appear to be a major problem.

There may be one or two intersections that we have a little bit of concern about, but again, appropriate conditions in terms of timing deliveries and things like that probably will be sufficient to take care of that.

During the operational life, there is pretty much no traffic impact from the project. It is not something that -- they don't require a large work force at the site to operate these projects.

In terms of soil and water resources, both projects are very similar. We're looking at questions of what sort of weight water would be generated by the project.

Given the nature of the project, the basic answer to that is very little or none.

We're also interested in making sure that, during the construction process itself, there is no problems with erosion or storm water pollution, and also making sure that there is appropriate prevention in place.

The Applicant, in describing their project, talked about some of the containment they are using

for the ammonia storage and transfer, and those are things that are normal. The certification will be adequate to make sure that we have review of the final stages of design to make sure that those are appropriate.

The next two areas are cultural resources and archeological resources. Again, there is a bit more concern at Century because portions of the project that are going off the already-developed site. Those are not areas that, based on the information we have so far, looks like there is any reason to expect any major resources would be available.

The Applicant indicated there may be a need for monitoring, and that is something we are likely to strongly suggest for at least portions of the Century project.

In the Drews project, probably not. I would need to sort of double-check that there is not a particular concern along a small part of the project that would be outside the substation walls.

The next area is visual resources. Again, given the location of the projects and the nature of the projects, those are not a subject that we think there would be particular problems with.

And then the final area that we have many requirements on, and we're taking a look at in this process, is the transmission system.

And what we require in the Application itself is to make sure that the Applicant has applied for appropriate transmission interconnection, and standard conditions are appropriate in most of these projects.

Once we get interconnection studies completed, we're able to make sure that there is not any particular concerns.

So that gives you a pretty good sense of the scope of review and the scope of information we're looking at in these projects.

Overall, the staff assessment at this stage is such that it does looks like there are a few areas where we are likely to need some additional conditions in certification.

We are not seeing anything at this point which looks like a fatal flaw.

It is not a lot of time, but there is still more than a week before we end up publishing the staff assessment, so, in these processes, what you are going to find as you move forward, as this stage, we're not expecting any major problems that cannot be

handled readily either through the standard conditions or appropriate additional conditions.

PRESIDING MEMBER MOORE: Thank you, Mr. Kennedy.

And I understand there may be a representative from South Coast here? Can I ask you to come up and identify yourself for the record and give us the opinion of South Coast regarding this project. And tell us the nature of the report that's done on this and how that's done.

Good evening.

MR. NAZEMI: Good evening. My name is Mohsen Nazemi, Assistant Deputy Executive Officer for South Coast Air Quality.

PRESIDING MEMBER MOORE: I'm going to ask you to spell your last name, please, for our stenographer.

MR. NAZEMI: Sure. N-A-Z-E-M-I. It is not a very common name.

For the benefit of the public members who are here, South Coast is the local air pollution control agency that regulates the air sources, stationary sources, in four counties: Orange, Los Angeles, Riverside, San Bernardino, and the work that we are performing on this project is in very close

cooperation with the Energy Commission and the Applicant in terms of making sure that all the required permits are issued in a timely manner with the Governor's Executive Orders to make sure that there is an adequate supply of electricity for this summer and next summer.

The process that we are following is, in addition to the 21-day process that the Energy Commission is following, issuing the permit under the Federal Requirement, which is referred to as the Title V Federal Operating Permit Program, that our agency has delegated authority to implement that program.

And as part of our program, we received applications on March 8, and we have actually then gone out to Public Notice for proposed decisions to issue the permit toward the end of March. And the comment period will close towards the end of April.

So, at that point, we will be ready to issue the permit, provided there aren't any comments to be addressed.

As part of our evaluation, we look at a number of applicable rules and requirements, but in a nutshell, the most important one we look at is referred to as "New Source Review."

It looks at both pollutants that form smog, but it also looks at the toxic impacts from projects, if there are any.

Let me take the easier one first. The toxic analysis for this project showed the risk from operating both projects, Drews and Century, are below one in a million cancer risks, or the de minimis risk, where we established as an acceptable risk level.

For the criteria, pollutants -- which is the pollutants that generally form smog in the air -- we do an analysis to look at, in general, three areas:

One is the use of Best Available Control Technology, also referred to as BACT; the issue of emissions offsets, to make sure with new source offsets, the emission increases.

And the last area is to look at what we call air quality modeling, which is a mathematical approach to see if the emissions from the source is going to create violation of ambient air quality standard for different pollutants.

In that sense, we have been working very closely with the Applicant, and the concept of Best Available Control Technology, as you heard, the CEC and State of California, through GE-10, are working

on a new technology which is referred to as Xonon, and the District is very supportive of development of new technologies.

However, we want to make sure that the air quality is not sacrificed, and as a result, we have crafted the permit in a flexible manner that allows the Applicant to either install Xonon if it is developed in time, or, in case the Xonon technology does not pan out, that they would have the conventional Selective Catalytic Reduction, which is a catalyst with ammonia injection to control nitrogen oxides, and an oxygenization catalyst to control carbon monoxide.

The permit allows for installation of either/or, and there are some time lines that we will be working with, with the Applicant, to make sure that those controls are in place and at the most reasonably earliest time available.

The permit itself, however, will indicate that the equipment will meet the emission levels that we consider Best Available Control Technology upon initial operation.

A companion piece of what we will do with this project is craft a Compliance Order which allows the few months of operation initially, until the

technology is actually installed.

And the reason for that is basically consistent with the Governor's Order to make sure that the power is produced during the summer peak hours, when it is needed.

If the technology for control is not ready to be installed or can't be installed as quickly, that does not prohibit the project from beginning operation.

However, I do have to agree with the statement of the Applicant made that, even though this project initially may operate without controls, even uncontrolled, the emission levels are much cleaner than, for example, diesel backup generators, which put out sometimes 300 times more emissions than a controlled power plant, central power plant, which you also have a problem with because it is too toxic when you burn the diesel.

The issue of offsets is addressed through providing nitrogen oxide offsets, which is the only pollutant they need to offset, because the remainder of the pollutant, including particulate matter, carbon monoxides, sulfur oxides, and organics, are going to be kept below the threshold under our rules that would require to be offset.

And the way they are holding their emissions below the threshold is the project proponent has proposed to operate 2415 hours a year.

For nitrogen oxides, the project proponent has indicated that they would like to obtain offsets from a bank that, under Governor Executive Order 2401, the Air Resources Boards has created and provided that amount of offsets available to projects that are, quote unquote, peaker plants that are undergoing this early installation process.

And so we will make that available either through our agency or through the Air Resources Board; that we are almost at the close of negotiations and a letter of agreement on who is going to implement the bank.

And finally, the modeling analysis indicated that the project emissions will not cause a violation of any ambient air quality standards from that perspective, and we are the confident that the project will meet the modeling requirements under our new source review.

So, in a nutshell, that was the analysis we performed. We have transmitted that information to the Energy Commission.

A copy of our draft, proposed permit, and

analysis is actually available in the local library here in Colton, and Public Notice has been published in the general circulating newspaper, and the project proponent has distributed copies of that Notice to all businesses and residents within a quarter-mile radius.

And at the close of the comment period, which is expected toward the end of April -- which I know is after the Business Meeting the Commission will hold -- but, that's the requirement under Federal Law, that we have that period, comment period.

I would be happy to answer any questions you might have.

PRESIDING MEMBER MOORE: Let's go to, first of all, identify for the record what the BACT level is for NOx?

MR. NAZEMI: For NOx, for a simple-cycle peaking turbine -- which is what this project consists of -- is five parts per million, at 15 percent oxygen level.

PRESIDING MEMBER MOORE: And your expectation is that this project would meet that standard?

MR. NAZEMI: With the installation of either

Xonon or SCR, it will meet the standard, correct.

PRESIDING MEMBER MOORE: And you were talking about the number of offsets that were needed or available.

First of all, are there offsets available within the South Coast system? How well stocked is the bank these days?

MR. NAZEMI: That's a very interesting question, because I get that question about three times a week, and from different angles.

South Coast has a little bit more complicated system than the other districts, and mainly that's because we have a program called the "Reclaim," which is a marketed incentive program for companies for nitrogen oxides and sulfur oxides.

Let me explain to you that for facilities that are not subject to the reclaim program, offsets have to be obtained either through a third party, such as Emission Reduction, or BRC holders, or for certain facilities, have ability to access the South Coast District Bank, and those are generally essentially public services that could access our bank.

In addition, there are some thresholds under our rule that, if a facility's total emissions are

below the threshold, they are not required to have offsets, period, and we supply that through what we call "Orphan Shutdown Companies," that shut down and don't use their offsets for any other reason.

So, to answer your question, offsets are available, and there are ERC's held by various owners out in the market, but, our experience is that because of the dissipators' source, the nitrogen oxides, not everyone is willing to sell their ERC's and are holding on them for their own projects and/or waiting for a higher price to sell them.

The other group of facilities that are under the reclaim program, they're not required to provide the ERC's, but they are required to get something that is in a different kind of a currency.

We call them Reclaim Trading Credits, or RTC, and the main difference between the two is ERC's is for the life of the project. So if you need 10 tons of offsets, you buy them up front, and it's good for the life of the project.

RTC's are annual commodities, so you have to buy it for each year of operation.

And we only require the facility to buy for the first year of operation, and every year subsequent, that they will buy those amounts at the

end of the year to make sure they cover their emissions.

PRESIDING MEMBER MOORE: Is it fair to say that given this level of BACT, that you would favor a plant like this over some of the old central station plants -- which are at least, anecdotedly, in terms of level for NOx, maybe a hundred, in some cases, at their worst, so would South Coast favor shutdown of some of those in favor of something like this?

MR. NAZEMI: Well, I think you mentioned the key word, shutdown of some of those in favor of these.

First of all, I don't think there is any guarantee that any plant is going to shut down when a new plant comes on line, as you may know, which still generate electricity, and at least the expectations are for the next couple of years, there is a need for all those plants to run.

But to answer your question, we prefer something like this, I think, and when we look at all generation capacity in South Coast, about a third of that generation capacity is actually controlled, and we have plans, from various power plant operators in South Coast, to install control in another third of the generation capacity.

In addition to that, we have a proposed Amendment to our Reclaim Rule which would actually require all generating facilities in South Coast to install control on their units.

So, in a relatively short time frame, we will have -- and I mean by before June of this year -- we will have the controls on two-thirds of our generating capacity in South Coast, and the other third will be following up quickly after.

So, if I were to compare the emissions from a controlled, new peaking plant, at five parts per million, with an uncontrolled existing power plant, the answer is yes, we would prefer a new plant like this to be operated in lieu of an existing, uncontrolled power plant.

But, given the fact that all of our existing power plants are also putting on controls, I think their emission is going to be very close.

PRESIDING MEMBER MOORE: Okay. One last question, and that is, when you were mentioning the way you did your calculations, you used a figure of -- if my notes are correct -- approximately 2500 operating hours, and yet we heard the Applicant say today they expected to run in the 4,000-hour range.

Is that reconcilable?

MR. NAZEMI: I believe so. But, our analysis, again, was based on the Applicant's proposal, that they wanted to stay below the offset thresholds for particulate matter, and that would amount to 2415 hours a year.

So if they want to go above that, then obviously they will trigger the offset requirements for PM -- or particulate matter -- in addition to the nitrogen oxides.

PRESIDING MEMBER MOORE: So, as far as you are concerned, they're capable of doing that within the South Coast rule structure?

MR. NAZEMI: They are capable of doing that, provided they supply the required offsets.

PRESIDING MEMBER MOORE: Does that change your expected analysis and the report that you will issue to us?

MR. NAZEMI: Well, obviously it will change our emissions calculation for all pollutants if we have to use 4,000, for example, instead of 2400 hours.

I would -- I would not recommend to make that change today, because, for the simple reason, that we have gone out with the Public Notice for 2400 hours, and if we were to change those emissions --

and I would like a caveat, because I'm not an attorney -- but I'm sure our counsel is going to tell us that might be a significant change in the information of the project emission, and that may require renoticing.

PRESIDING MEMBER MOORE: Well, you understand -- and I'm sure that it is patently clear to the Applicant, listening to my question -- that I want to make sure that whatever record we produce out of this, and the conditions that ensue following that record, reflect what South Coast has actually analyzed, so that let's assume, for a second, that I do recommend a certification, an operating certificate, then, it seems to me we want to make sure that what conditions are in the certification would be contained in and reflect the analysis done by South Coast or any other public agencies, and that's the reason for my question.

MR. NAZEMI: Understood.

PRESIDING MEMBER MOORE: Thank you very much.

Let me ask my Hearing Officer if he has questions? And he does.

HEARING OFFICER ENGEMAN: Do you have the precise date on which the 30-day Notice was

published, sir?

MR. NAZEMI: I believe the publication date was March 28th.

Let me confirm that with staff.

The 29th.

HEARING OFFICER ENGEMAN: Thank you. That's all I have.

MR. NAZEMI: Sure.

PRESIDING MEMBER MOORE: Thank you very much, sir. All right.

Are there other state or local agencies who would like to address us on this issue?

All right. There do not appear to be any. With that, let me tell you we are going to take a short break, and when we come back, for those members of the public who would like to address us or ask us questions, please obtain one of the blue cards there -- what, at a dollar a piece now? They're in the back, and we'll reconvene right here. Thank you.

(Recess.)

PRESIDING MEMBER MOORE: All right. If I can ask everybody to sit back down. That doesn't mean you can't partake of your repast, but we'd like to pick this sequence up again.

And I would like to turn to Mr. Kennedy and ask him to elaborate, with the help of the Air Quality District Representative, on the question of some of the standards that we just heard testimony on so that we make sure that the record is clear and precise on that point.

Mr. Kennedy.

MR. KENNEDY: That you, Commissioner Moore.

The point that I wanted to raise and make sure that everyone here, including Commissioner Moore is clear on, is what is going on with the Best Available Control Technology for this project.

As Mr. Nazemi mentioned, the permit for the project from South Coast will require the Best Available Control Technology, which would control the project down to five parts per million for nitrogen oxides. That is my understanding of it.

And Mr. Nazemi may want to elaborate a little bit on this as well. He mentioned that there would be a Compliance Order issued, essentially, along with the Permit that would cover the timing of the installation of the Best Available Control Technology, either the Selective Catalytic Reduction, which is pretty much the current standard for these types of projects, or the Xonon technology, which is

what the Applicant is hoping to use, and is new technology that has certain advantages to it.

My understanding of this is that the current agreement in the Compliance Order would allow a delay in the actual installation of that technology until, I believe, October so that the project would be operating without the BACT during the initial summer so that it can get on line and delivering the megawatts sooner, and that the uncontrolled emissions would be approximately 25 parts per million for NOx for the first summer.

And Mr. Nazemi may want to elaborate on that, if there is anything to add to that.

MR. NAZEMI: Sure, I'll be happy to.

I think Kevin covered the issue quite well.

I just want to point out that the Compliance Order is actually in the form of what we call a Stipulated Order after Abatement, that will be granted by the South Coast Hearing Board.

The Hearing Board is a quasi-judicial entity that is not necessarily related to the District although, they have an office in our headquarters building, and which, in this case, it will be the Applicant and South Coast who will appear in front of the Hearing Board.

Presently the hearing is scheduled for April 24th, which is prior to the close of the comment period, and the gist of the Compliance order would be basically that the Permit requires the compliance with Best Available Control Technology under the Federal Clean Air Act, and the Compliance Order would be a waiver of that requirement for the initial few months of operation in order to get the control technology in place and installed on this project.

We are, on a regular basis, working with the Applicant in developing the Petition.

In fact, we had a conference call yesterday and another one this morning, and we went over the details.

We are developing increments of progress of the compliance schedule that will specifically indicate when those things will be in place, but in a nutshell, the decision to go with Xonon or SCR should be made fairly quickly, early May, and the units will be equipped with the Best Available Control Technology no later than December 15th.

So that date will automatically be part of this schedule, which would allow the unit to come on line to install, and then control will go back on line, but the ultimate date that the units will

operate with control would be no later than December 15th.

PRESIDING MEMBER MOORE: Thank you very much. I appreciate the clarification.

MR. NAZEMI: Yes.

MR. O'NEILL: Commissioner, if I could, I want to clarify one other point.

I heard somewhere in the discussion, contractually, potentially we would be on line by September 1st. I would like to clarify that. Our contract with the Department of Water Resources, calls for both these sites to be on line and operating by 1 August of this year.

PRESIDING MEMBER MOORE: No later?

MR. O'NEILL: No later than August 1 of this year.

PRESIDING MEMBER MOORE: Thank you; I appreciate that clarification.

All right. With that, I'm going to turn this over to my Hearing Officer, and he would like to address the questions and comments from the public.

HEARING OFFICER ENGEMAN: The first question is posed by Carlos Rodriguez, and the question is, "Will the gas line construction affect traffic on Mt. Vernon, and access to M Street? If so, how will it

be alleviated?"

And that probably goes to the Applicant.

MR. MOREAU: Brian Moreau, Alliance Power.

The construction at M Street will be through the street, along the gutter line, so there will be a minimal disturbance of that pavement with the cut, similar to typical utility work in the street.

From the intersection of 9th and M approximately over to Mt. Vernon, there will be some staged work on the bridge, with the gas line, which is on the bottom side of that bridge, and that will require single-lane traffic most likely along Mt. Vernon. That work will also be scheduled during off-peak times.

HEARING OFFICER ENGEMAN: Can you give us some idea of the duration of those projects, expected duration?

MR. MOREAU: I believe that that question was asked in the Application -- Mr. Kennedy? I think that Mario has been addressing that.

MR. KENNEDY: Yeah. I do not have immediately at hand the specific schedule on that. It is something we have been looking into. But we can certainly look to get him that information.

Is there contact information?

HEARING OFFICER ENGEMAN: Mr. Rodrigues gives his address, yes. I'll provide that to you.

PRESIDING MEMBER MOORE: Let's make sure that that will indicate that that will also be included in the staff report, that is referenced in the Presiding Member's Proposed Decision.

HEARING OFFICER ENGEMAN: The next series of questions is posed by Camilla Herrera.

"Will the ammonia emit an odor? And if so, what distance? Exactly what is the proximity of the gas line to residential areas? How far on M Street and Mt. Vernon Avenue?"

I think those are all for the Applicant.

PRESIDING MEMBER MOORE: Do you want to come up and identify yourself for the record. And you might also start by identifying the type of ammonia that is anticipated being used if that control technology is selected.

MR. LANY: Karl Lany, with SCEC, Air Quality Specialists.

We are using -- if we go with SCR, we will be using an aqueous ammonia solution with water that is sprayed into the exhaust stream of the turbine.

We are bound to have a concentration of no more than five parts per million in the volume of the

exhaust stream as it exits the stack.

PRESIDING MEMBER MOORE: Will you be able to smell it?

MR. LANY: By the time the plume is dispersed from the site, it shouldn't be detectible and would normally be one part per million.

PRESIDING MEMBER MOORE: And how far will the gas line be from the residences?

MR. LANY: Excuse me?

PRESIDING MEMBER MOORE: How far will the gas line be from the residences?

Was that the second question?

HEARING OFFICER ENGEMAN: Yes.

MR. MOREAU: For an ammonia gas line?

PRESIDING MEMBER MOORE: No. The natural gas line.

MR. LANY: Okay.

PRESIDING MEMBER MOORE: As far as I know, there is no ammonia gas line in place.

Just for clarification, the ammonia, the tank that's being used, if they select -- Correct me if I'm wrong -- if you select the Selective Catalytic Reduction, it is contained fully within the site and is used to create a nozzle spray, again for the exhaustion of the turbine, but it may not be the

abatement technique that is selected.

MR. MOREAU: That is correct.

PRESIDING MEMBER MOORE: So how far away is the gas line from any existing residence? What is the closest?

MR. MOREAU: The natural gas line is underground, and so you will drive over it.

The only time it will surface will be inside the property, and it will run just up to the gas compressor, then go back -- at the facility, it will go back underground and then come up through the foundation and hook up to the turbines.

The nearest residence to that site is, I believe, M Street, so it will be right along the existing easement in the street, so whatever the setback for the residences are, but on the particular site where it is above ground, it is probably a quarter of a mile, half a mile.

PRESIDING MEMBER MOORE: And how far is that from M Street or --

MR. MOREAU: From M Street, it is about a mile and a half. From 9th and M, where we're tapping it, it is a mile and a half to the project.

PRESIDING MEMBER MOORE: And from Mt. Vernon?

MR. MOREAU: From Mt. Vernon, about a quarter of a mile, from the Mt. Vernon Bridge. And there are no residences adjacent to that bridge crossing. There is some office space.

PRESIDING MEMBER MOORE: Thank you.

HEARING OFFICER ENGEMAN: That's all the questions we have.

We have a request from Mr. Gary Anderson to comment.

Mr. Anderson.

MR. ANDERSON: My name is Gary Anderson. I'm with Clear Lake Energy.

I'm here tonight with one of my partners, Henry Orlosky. We have a site out in Harbor Dry Lake. We're in the process of developing, for peakers, gas -- large gas-fire generators, and we came to take a look at the process here because we anticipate going through it in the future.

What we heard tonight, we think it sounds like a real viable, good project, and we hope you pursue it and go for it.

We think it is a good network. We are pursuing the same kind of thing, because we are in a situation, energy-wise, really critical to all of us and are really concerned about it, so we just wanted

to come and say that we're here, and we think what's going on here is a real good process.

PRESIDING MEMBER MOORE: Thank you very much.

Anyone else in the audience who would like to address us that didn't get the blue card submitted.

All right. With that, I'm going to bring this back to the dais and remind everyone that we will be issuing a decision very rapidly under this very compressed process, and that that decision will be out on the 25th of this month.

Mr. Kennedy, would you like to add anything on behalf of the staff?

MR. KENNEDY: No.

PRESIDING MEMBER MOORE: Our hard-working staff. And I say that without any -- any hesitation at all, is available, but you should know that they are moving very rapidly because they have other cases that are coming up extremely rapidly.

All the Commissioners are fully booked in this process and will be rendering decisions literally through the summer on all of these matters.

Should you wish to contact us, should you

wish to have any questions answered, please use the Offices of Mr. Kennedy or the Public Adviser, and rest assured, we will get them.

Or file them in the docket, the open docket, for either of these projects, and of course everyone will get them.

With that, let me tell you, we take all this very seriously and will render our decision accordingly, and this hearing is closed. Thank you.

(Thereupon at 9:00 p.m. the meeting was concluded.)

STATE OF CALIFORNIA)
) ss:
COUNTY OF SAN DIEGO)

I, Janet B. White, Certified Realtime Reporter, C.S.R. No. 1879, do hereby certify:

That the foregoing INFORMATION HEARING BEFORE THE ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION OF THE STATE OF CALIFORNIA, was reported by me at the time and place herein set forth; was thereafter transcribed, through computer-aided technology, under my direction and supervision, and that the foregoing is a true record of same.

I further certify that I am neither counsel for nor related to any party to said action, nor in any way interested in the outcome thereof.

IN WITNESS WHEREOF, I have subscribed my name this 16th day of April, 2001.

JANET B. WHITE, C.S.R. No. 1879